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In the Supreme Court of the United States

OCTOBER TERM, 1964

No. 222

ATLAS-PACIFIC ENGINEERING COMPANY,
a corporation,
Petitioner,

vs.

GEO. W. ASHLOCK COMPANY,
a corporation,
Respondent.

Petition for a Writ of Certiorari

To the United States Court of Appeals
for the Ninth Circuit

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To the United States Court of Appeals
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Petitioner prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Ninth Circuit entered in the above-entitled case on December 15, 1964, a copy of said judgment being appended hereto as Appendix B.

CITATIONS TO OPINIONS BELOW

The opinion of the Court of Appeals for the Ninth Circuit is reported at 339 F.2d 288 and at 144 USPQ 55, copy of which is appended hereto as Exhibit C. That opinion, in effect, adopted "all of the findings and conclusions of the trial court with respect to the substantive claims of and defenses to infringement" (Appendix C, page 34) but reversed and remanded for a new trial on one aspect of the award of damages.

The opinion of the District Court, which is in the form of findings of fact and conclusions of law, is reported at 225 F. Supp. 205; 139 USPQ 421, copy of which is appended hereto as Appendix A.

JURISDICTION OF THIS COURT

The date of the judgment of the Court of Appeals is December 15, 1964 and said judgment was entered on December 15, 1964. A timely petition for rehearing was filed and was denied on March 10, 1965.

Jurisdiction is conferred upon this Court to review the judgment of the Court of Appeals by writ of certiorari by United States Code, Title 28, Section 1254(1).

QUESTIONS PRESENTED

1. Is it a patent misuse, during the life of a patent monopoly, to adhere exclusively to a policy of leasing patented machines for a long term and to refuse to lease the machines for a shorter term, such as one year, with the result that, at the time of expiration of the last valid patent covering the machines, the great majority of users of the machines are tied to long term lease agreements and are not free to obtain machines from a competitor.

2. Where different parts of a single machine are covered by several patents which represent improvements made in the machine over a period of years, and where such patents expire at

different times, is it an unwarranted extension of the monopoly of the expired patents and contrary to *Brulotte v. Thys Co.*, ... US .....; 85 S.Ct. 176; 13. L.Ed. 2d 99 to refuse an apportionment of damages to reflect the fact that, at the time of alleged infringement, all but one of the valid patents on the machine had expired.

3. Does the patent statute regarding construction of a broad "means" claims in a patent (35 USC 112), such statute reading in pertinent part as follows:

> "An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material or acts described in the specification and equivalents thereof."

require that a court, in all cases where a functional "means" claim is sued upon, make a finding based upon evidence that the alleged infringer uses either (1) the same structure as that described in the specification of the patent or (2) a different but equivalent structure.

4. May a patentee have, so to speak, two bites at a defendant's structure; the first bite being based upon a narrow claim which recites structure for performing a specified function, and which requires proof that the defendant's structure is an equivalent of plaintiff's structure; the second bite, in the event that the patentee fails to prove equivalents, being based upon a broad, wholly functional claim which recites merely a "means" for performing a function without specifying the construction of the "means".

CONSTITUTIONAL PROVISION INVOLVED

No constitutional provision as such as involved except the provision of Article I, Sec. 8 of the United States Constitution

which is always controlling in a patent case and which reads in pertinent part as follows:

> "The Congress shall have power * * * To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

STATUTORY PROVISION INVOLVED

A portion of 35 USC 112 (Section 112 of the Patent Code of 1952) is involved in Questions Nos. 3 and 4, such portion of the statute reading as follows:

> "An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof."

STATEMENT OF THE CASE

This is a patent infringement suit brought by plaintiff (Respondent herein) against defendant (Petitioner herein) on patent No. 2,406,736, granted September 3, 1946 (Complaint, Vol. 1, pp. 2-4).[1] Jurisdiction of the District Court was based on 28 USC 1338(a) and 1400(b). Jurisdiction of the Court of Appeals was based on 28 USC 1291.

The patent expired on September 3, 1963, shortly after the judgment of the District Court was rendered. This patent (referred to hereinafter as the "patent in suit") relates to an olive pitting machine (Pl's Exh. 2, Vol. 17, p. 1). Respondent sought damages and an injunction (Complaint, Vol. 1, p. 3).

Petitioner asserted invalidity, noninfringement and patent misuse. (Def's First Amended Answer and Counterclaim, para-

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1. Volume references are to the record as filed with this Court by the Clerk of the Court of Appeals.

graphs (7) and (9) to (12) of the Answer, Vol. 1 of the Record here, pages 41 and 42). Petitioner also contended that, if these issues were decided against it, damages should be apportioned to reflect the fact that only a part of the patented machine is covered by the patent in suit and that other, substantial parts of the machine are the subject of patents that expired before the alleged acts of infringement occurred (Finding of Fact No. 28, Appendix A, page 27; Petition for Rehearing, Appendix D, pp. 38 to 39).

The District Court ruled in favor of Respondent on all issues except injunctive relief and except as to post-exipration damages, both of which were sought by Respondent. The District Court held that an injunction would be injurious to the public and would prolong the patent monopoly beyond the date of expiration of the patent in suit (September 3, 1963), and that an award of post-expiration damages would also, in effect, prolong the patent monopoly and constitute patent misuse (Finding of Fact No. 35, Appendix A, page 29; informal rulings of the District Court at Vol. 14, page 1649 and Vol. 15, page 18).

The District Court awarded as damages the entire gross income (all of which was lease income) received by Petitioner from infringing machines up to approximately the date of expiration of the patent in suit. The District Court refused to apportion the damages on the ground that it was impracticable to segregate the infringing part from the noninfringing parts of Petitioner's machine (Findings of Fact Nos. 28, 29 and 35; Appendix A, pages 27 to 29).

The District Court also held Claim 11 of the patent valid and infringed and it held that the defense of misuse was not proved.[2] Conclusions of Law Nos. 1 and 4, Appendix A, page 30).

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2. More accurately stated, the District Court held that, to award post-expiration damages (which were asked for by Respondent) might constitute misuse, and for that reason the Court refused them (Vol. 15, page 18).

The Court of Appeals affirmed all of the holdings of the District Court, including the denial of apportionment of damages, the only exception being that the District Court was reversed as to the measure of damages (whether the award was adequately proved on the basis of a reasonable royalty). As to this, a new trial was ordered. (Appendix C, pages 33 and 37).

The factual background is best set forth under the topics of Infringement, Apportionment and Misuse.

Infringement

The patent in suit relates to a machine for pitting olives. On its face, it attributes several substantial components to three earlier patents which expired before the alleged acts of infringement occurred (Pl's Exh. 2, column 2, lines 32 to 43). Thus, the straightening mechanism is that described in Ashlock Patent No. 2,250,518 which expired in 1958. (The "straightening mechanism" automatically arranges the olives in upright position in the cups that hold them, so that they are in proper position for pitting). The conveyor construction which conveys the olives through the machine is that of Ashlock Patent No. 2,271,675, which expired in 1959. The pitting plunger mechanism is that of Ashlock Patent No. 2,219,832, which expired in 1957. (The pitting plunger mechanism consists of the plungers or punches which descend and punch the olives, together with the mechanism for operating them and timing them with other parts of the machine).

The particular part of the machine which is the subject of the patent in suit is the use of hollow coring knives beneath the plungers (there being one such coring knife for and in alignment with each plunger), together with a machanism for operating each pair of coring knives and plungers in such manner that they cooperate to penetrate an olive from opposite ends, clamp the olive pit between them and then carry the pit out of the olive (Finding of Fact No. 19, Appendix A, page 10).

Essential to this mode of operation is a spring which supports the coring knife, such spring being compressed during the process of clamping the pit and remaining compressed while the coring knife and its plunger carry the pit out of the olive. (See the patent in suit, Pl's Exh. 2, col. 5, lines 7-16; testimony of Respondent's Vice President Hesse at Vol. 4, page 386).

Without this spring and its mode of operation, the patented machine will not operate to pit olives (Hesse testimony, ibid).

The reason for the foregoing technical detail is that it is necessary to an understanding of the infringement issue, because *Petitioner's machine does not employ this mode of operation.* (Hesse testimony, ibid). That is, Petitioner's machine is not a copy of Respondent's machine but is different; and *the infringement issue presented by this petition is whether the Courts below improperly disregarded the statutory rule of claim interpretation as set forth in 35 USC 112,* which reads in pertinent part as follows:

> "An element in a claim for a combination may be expressed as a means or step for performing the specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof."

In the light of the following evidence, Petitioner contended in both Courts below that there was no infringement:

Respondent sued on two claims (Claims 5 and 11). The pertinent (and corresponding) portions of these claims are set forth below for side-by-side comparison. Words added in brackets are explanatory and the added emphasis points up the difference between these claims:

Structural Description of Pitting Element in Claim 5 (The Narrow Claim, Withdrawn Because of Failure to Prove Equivalence of Petitioner's Structure)	Functional Description of Pitting Element in Claim 11 (The Broad, Functional Claim Held to Be Infringed Without Regard to 35 USC 112)
"*a resilient mounting* [a spring] for at least one of said elements [the plunger and the pitting knife; in practice, the spring is associated with the pitting knife]; and means for moving the knife and plunger toward each other until the two substantially meet in the absence of a fruit and, in the presence of a fruit, the pit is positioned between an end of the knife and an end of the plunger and *the resilient mounting is compressed*, and for then *moving the knife and plunger* at substantially the same rate and in the same direction with respect to the conveyor *with the pit held therebetween under the pressure of said compressed resilient mounting means to remove the pit and core from the fruit*."	"and *means* for first moving said plunger and said knife substantially simultaneously toward each other during advance of said head and *for then moving said plunger and knife in the same direction transverse to said conveyor and at substantially the same rate*." [In Claim 11 the "means . . . for then moving said plunger and knife", etc. corresponds to the "resilient mounting" of Claim 5. It is this "resilient mounting" of Claim 5 and the "means . . . for then moving" of Claim 11 which enable the plunger and knife to move at substantially the same rate and in the same direction. This mode of operation is necessary for pitting to occur with the patented machine].

It will be seen that Claim 5 specifies a "resilient mounting" (a spring) for one of the pitting instruments (in actual practice, this instrument is the hollow coring knife); that this "resilient mounting" is compressed; and that it remains compressed during removal of the pit from the olive. *This continued compression is essential to the operation of the machine of the patent in suit* (Hesse testimony, Vol. 4, page 386).

Claim 11, however, is phrased in words which, if taken literally, do not require the presence of a spring or its continued compression during pit removal. These words require only a "means" for moving the plunger and knife toward each other until they are close together, and then moving them in the same direction and at the same rate to remove the olive pit. But the only *structure*

shown in the patent for accomplishing this has a spring which is, and which must be compressed and must remain compressed during pit removal.

At the trial, Petitioner adduced evidence that its machine operates differently; and that it operates without the need for a spring except for safety purposes (not for operating purposes) and without any spring compression during the critical period of pit removal. Petitioner accomplishes this by means of a cam. (Hesse testimony, ibid.; Def's Exh. AG testimony of Loveland, Vice President of Petitioner, typified by his testimony at Vol. 12, page 1333, line 25 to page 1334, line 17).

It still remained open to Respondent to attempt to prove that Petitioner's cam (springless) operation is the equivalent of the spring operation of Claim 5, but Respondent chose not to do this. Instead, Respondent withdrew Claim 5 in the light of this evidence and rested its case on a wholly functional claim (Claim 11) (Vol. 14, page 1609, lines 10 to 12).

It was contended by Petitioner in both Courts below that Claim 11, although it does not mention springs or their operation, must be interpreted under 35 USC 112 to include only the spring structure actually shown in the patent and its equivalents, and that by withdrawing Claim 5 in the light of adverse evidence, Respondent admitted lack of equivalence, therefore lack of infringement.

However, both Courts below refused to apply the controlling statute, 35 USC 112. They held that Claim 11 is for a patentable combination of elements without making a finding that the crucial element (the "means" element) of Claim 11 is limited to the structure shown and its equivalents, and that Petitioner's structure employs an equivalent.

On this point (as on all others except the measure of damages) the Court of Appeals adopted the findings and conclusions of the District Court (Appendix C, page 34). The District Court, in Finding No. 20, held that Claim 11 "has the requisite newness or novelty required by the statute" (35 USC 101). In Finding

No. 19, the District Court held that Claim 11 "fairly and accurately delineated" the "advance in the art"; in Finding No. 21 (i), that "Claim 11 covers each of the plaintiff's machines"; in Finding No. 23, that Claim 11 is "entitled to a reasonably broad application of the doctrine of mechanical equivalents"; in Finding No. 24, that Claim 11 is "readable in terms in its entirety upon the olive pitting machines of the defendant" and that "defendant's machines were embodiments of the advance made in the art by Claim 11, said advance in the art having been defined by the Court in Finding No. 19" (which does not mention the spring structure that brought about the withdrawal of Claim 5); and, in the same Finding, that defendant's cam operation is the equivalent of plaintiff's spring operation. But nowhere in the District Court's opinion or in the Court of Appeals' opinion is there any mention of 35 USC 112 nor of its rule of interpretation of a "means" claim. The Courts below were silent as to the inferences to be drawn from the withdrawal of Claim 5, which is summarily dealt with in Finding No. 25 as follows:

> "25. Claim 5 of '736 [the patent in suit] has been withdrawn. Claim 5 has no effect on Claim 11."

(The findings referred to in this paragraph appear in Appendix A, pages 10 to 26).

Apportionment

The issue of apportionment can be dealt with very briefly. As stated above at page 6 the patent in suit attributes several of its component parts to three earlier patents, the latest of which expired in 1959. Petitioner did not enter the olive pitting business until 1961 (Finding of Fact No. 29, Appendix A, page 28). Petitioner contended that its machine, like the patented machine, consists of several components, including a straightening mechanism, a conveyor and a plunger mechanism which, if covered by

any patents, were covered by three expired patents (Ashlock Patents Nos. 2,250,518, 2,271,675 and 2,219,832). It was Petitioner's contention that, if damages were awarded, they should be less than damages attributable to the machine as a whole and should reflect the fact that much of the patented machine was the subject of expired patents. (The only evidence on the proportion of patented and unpatented parts was the testimony of Loveland, Vice President of Petitioner and designer of Petitioner's machine, that about 25% of the cost of Petitioner's machine is attributable to the infringing structure. Vol. 15, page 15)

The District Court rendered its decision prior to *Brulotte vs. Thys*, ... US .....; 85 S.Ct. 176; 13 L.Ed. 2d 99. The District Court held that it was impracticable to segregate the patented from the unpatented parts of Petitioner's machine (Finding of Fact No. 28, Appendix A, page 27). The Court of Appeals rendered its decision after *Brulotte* and affirmed for the same reason. Appendix C, page 35, footnote 7) In a petition for rehearing, Petitioner urged that *Brulotte* (which was decided by this Court after submission of the case at bench to the Court of Appeals) precludes an award of damages attributable to expired patents. It was Petitioner's contention that, under *Brulotte*, when a patent expires its monopoly is spent and something must pass to the public; that the right to collect royalties under the patent is spent; and that, by analogy, the right to collect damages for infringement of an expired patent is spent (Appendix D). This petition was denied (Appendix F).

The Court of Appeals reversed as to damages but not on the ground of apportionment (which was affirmed). The Court of Appeals held that the award of damages may have been excessive in view of evidence regarding a reasonable royalty. Respondent has stated its position (privately to counsel for Petitioner and to the District Court in a conference in the Judge's chambers) that, in the light of the opinion of the Court of Appeals, Respondent will seek even more damages ($78,000 instead of $40,488.92)!

Misuse

Respondent manufactures and leases olive pitting machines. It does not offer these machines for sale. The leases are long term (3 year) leases. Short term leases (for example, one year leases) are not available (Finding of Fact No. 26, Appendix A, page 27).

Respondent had a monopoly for many years in the leasing of olive pitting machines and held this monopoly when Petitioner entered the field with a single prototype machine in 1961. Prior to that all the olive pitting machines in the United States (all of which are located in California) were Respondent's machines held under long-term leases. The sole exception was the Lindsay Ripe Olive Co., a cooperative olive packing and marketing association, which made its own machines exclusively for its own use and not for sale or lease to any other olive packer. (These facts are set forth in the Joint Pre-Trial Order, Vol. 1, pages 85-88, paragraphs 16 to 23.)

During the 1961-62 season (the olive packing season runs from about September or October of each year to May or June of the following calendar year), Respondent's complete monopoly in the relevant market (the market for leased olive pitting machines) was diminished slightly by a single prototype machine leased by Petitioner to Libby, McNeil & Libby. During the 1962-63 season—the last season during the life of the patent in suit—Respondent's monopoly was reduced slightly more by the rental of six machines by Petitioner to three olive packers (Joint Pre-Trial Order, Vol. 1, page 86, paragraphs 19 to 21).

The leasing situation at the start of the 1963-64 season was substantially as follows: In addition to the Lindsay Ripe Olive Co. there were 18 olive packers in the United States, all having their olive packing facilities in California. (Lindsay is also located in California). These 18 olive packing companies (excluding Lindsay) employed approximately 43 olive pitting machines of which 30 continued on long term leases from Respondent which were

entered into before the patent expired. These facts are set forth in a chart below which identifies the packers and the number of Respondent's machines which continued on long term leases. This information is taken from a table in the Joint Pretrial Order, Vol. 1, pages 86 and 87.

Lessee	No. of Resopndent's Machines	Date of Termination of Lease
Bell Packing Company	2	6-1-64
Contadino Foods, Inc.	1	11-15-63
Evans Honey Company	1	11-1-63
B.E. Glick & Sons	1	9-1-65
Industrias Olivareras, S.A. (Tijuana, Mexico)	1	2-1-65
Libby, McNeill & Libby	6	11-15-65
Maywood Packing Co.	1	1-15-64
Oberti Olive Company	3	9-1-64
Orinda Olive Corp.	1	11-1-64
Rocca Bella Olive Assoc'n	2	9-1-64
V.R. Smith Olive Co.	2	10-1-64
Spencer Food Co.	1	4-1-65
Sunland Olive Co.	2	9-1-65
Tri-Valley Packing Assoc'n	1	11-1-64
Westgate California Corp.	2	9-1-64
Wyandotte Olive Growers Assoc'n	3	9-1-65
Total number of machines	30	

The patent situation at the start of the 1963-64 season was as follows: The patent in suit expired September 3, 1963, before commencement of the 1963-64 season. Other patents (Ashlock Patents Nos. 2,250,518, 2,271,675 and 2,219,832), which are identified on the face of the patent in suit had expired in 1957, 1958 and 1959. A method patent, No. 2,407,126 (Pl's Exh. 8), corresponding to the apparatus of the patent in suit, expired on September 3, 1963 (before the 1963-64 season). There was a single unexpired patent (No. 2,589,354, Pl's Exh. 4) of a trivial nature on a cup for holding olive while being pitted. This

cup patent was sued on jointly with the patent in suit (No. 2,406,736) and was held invalid. Respondent took no appeal.

Therefore, at the commencement of the 1963-64 season all of Respondent's patents had expired or had been held invalid.

Nevertheless, 30 out of a total of 43 olive pitting machines remained bound by long-term leases from Respondents, accounting for approximately 70% of the total of leased machines in the United States. Some of these leases expired later in 1963, some in 1964 and others in 1965. The lessees were legally free to lease machines from Petitioner, or from anyone else, and to use them if they wished, but in the meantime they were bound to pay minimum rentals of $3500.00 per annum per machine to Respondent even though Respondent's machines were idle. (Ashlock lease, Def's Exh. QQ, par 5(c), as modified by rate reduction notice, Pl's Exh. 22).

Petitioner contended that this constituted a misuse because, by contract (long-term lease agreements), Respondent had extended its near monopoly on olive pitting machines for a substantial period of time after expiration of its last valid patent. The District Court held that there was no misuse because no significant relationship was shown between the leasing practice and the patent in suit. (Finding of Fact No. 26, Appendix A, page 27). The Court of Appeals expressly affirmed this holding and distinguished from *Brulotte v. Thys* (decided after the decision by the District Court) on the ground that *Brulotte* holds merely that an exaction of royalties after expiration of a patent is unlawful, whereas the District Court in the case at bench, limited damages to the period prior to expiration of the patent in suit. (Appendix C, page 34, footnote 1)

It is Petitioner's contention that, under the rule of *Scott v. Marcalus*, 326 U.S. 249, 256; 90 L.Ed. 47, 51; 66 S.Ct. 101, 104 and *Brulotte*, a system of long term lease agreements which is entered into before but which extends beyond the date of ex-

piration of the last valid patent on the leased machines, and which precludes customers from leasing machines from competitors after all valid patents have expired, is illegal *per se* and is a patent misuse where, as here, it is coupled with a patent infringement suit.

REASONS FOR GRANTING THE WRIT

1. The issuance of a patent is primarily to benefit the public by promoting the progress of science and the useful arts. To foster that purpose patents are strictly construed. U.S. Constitution, Article 1, sec. 8; *Pennock v. Dialogue*, 2 Peters 1, 19; 7 L.Ed. 327, 333 (1829); *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 511; 37 S.Ct. 416, 418; 61 L.Ed. 871, 876 (1917). A long line of cases commencing with *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, supra, and culminating in *Brulotte v. Thys Co.*, ... U.S. .....; 85 S.Ct. 176; 13 L.Ed. 2d 99 decided during the October, 1964 term of this Court, have struck down all manner of attempts to extend the patent monopoly, either by extending the scope of the monopoly to things not covered by the claims of the patent, or by prolonging the duration of the patent monopoly by resort to estoppel, contract or a State law of unfair competition.[3]

The Courts below gave an unreasonably broad interpretation to Claim 11 of the patent in suit; they sanctioned a long term

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3. *Motion Picture* is a leading case on tie-ins of patented with unpatented materials; *Brulotte* is the definitive case on extending the patent monopoly by contract; *Scott Paper v. Marcalus*, 326 US 249; 66 S.Ct. 101; 90 L.Ed. 47 (1945) applies the rule to efforts to prolong the monopoly of an expired patent by resort to an assignment and the estoppel of an assignor to dispute validity; and *Compco Corp. v. Day-Brite Lighting Inc.*, 376 US 234; 84 S.Ct. 779; 11 L.Ed. 2d 669 (1964) and *Sears, Roebuck & Co. v. Stiffel Co.*, 376 US 225; 84 S.Ct. 784; 11 L.Ed. 2d 661 (1964) applied the rule that, once a patent has entered the public domain (whether by expiration or invalidation) its effective monopoly may not be prolonged by resort to a State law of unfair competition.

leasing system which extends the patent monopoly beyond the expiration of the last valid patent on the Respondent's machine; and they awarded as damages all of the lease income of Petitioner without any deduction to reflect the fact that most of the patents (all but one of the valid patents) on the machine expired before the alleged acts of infringement. By so doing the Courts below extended the patent monopoly both as to its term and its scope.

2. The Courts below have sanctioned a system of long term leasing and the resulting prolongation of the patent monopoly beyond the date of expiration of all applicable valid patents. This question is unlikely to be litigated in any other circuit than the Ninth Circuit. The states comprising the Ninth Circuit (California in particular), account for a very large proportion of the useage of fruit processing machines. California accounts for all of the olive production and processing in the United States.[4] Pl's (Respondent's) Exhibit 21, offered and received in evidence to show custom and practice in the industry with regard to leasing fruit processing equipment, identifies Food Machinery Company (a California company) as following the practice of long term leasing.

3. The Court of Appeals has misinterpreted *Brulotte v. Thys Co.*, ... U.S. ....., 13 L.Ed. 2d 99; 85 S.Ct. 176. *Brulotte* was decided by this Court after the case at bench was argued and submitted. In footnote No. 1 to its opinion the Court of Appeals attempted to distinguish *Brulotte* as follows:

(1) *Brulotte* holds that the exaction of royalties for use of a patent after expiration of the patent is unlawful and a patent

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4. Paragraphs 16 to 23 of the Joint Pretrial Order, appearing at Vol. 1, pages 85-88 of the record before this Court, establish that all olive packers in the U.S.A. are accounted for by Lindsay and the lessees of Petitioner and Respondent and that all of those lessees have their olive packing operations in California. There is no dispute about the fact that Lindsay is also located in California.

misuse; but, in the case at bench, damages were awarded only for the period preceding expiration of the patent.

(2) The District Court in the case at bench found (and the evidence supported the finding) that there was no significant relationship between the patent in suit and Respondent's leasing practice.

The first ground of distinction (that damages are limited to the pre-expiration period) overlooks the fact that *all* of Petitioner's lease income was awarded to Respondent without any deduction and without any allowance for the fact that most of the applicable patents expired *before* the alleged acts of infringement. The award gave Respondent as much relief (all of Petitioner's lease income) as Respondent would have received had all of its patents been in force. The rationale of *Brulotte* is that, when a patent has expired, the right to collect royalties *or damages* is spent. The Court of Appeals overlooked the fact that the patent damage statute[5] relates damages to a reasonable royalty. The injustice of this holding may be highlighted as follows: Suppose that Respondent had sued Petitioner for infringement in 1956 when Respondent's patents Nos. 2,250,518, 2,271,675 and 2,218,832, as well as the patent in suit, were unexpired. Suppose, also, that Respondent's patent 2,589,524 (which was held invalid in this litigation) had been held valid; and that all five patents had been held infringed. In that case, since the entire machine would have been covered by five valid patents, all of which were infringed, apportionment would have been properly refused. *But the same result—a refusal of apportionment—has occurred in the actual case confronting us, notwith-*

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5. 35 USC 284 reads in pertinent part as follows:
"Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but *in no event less than a reasonable royalty* for the use made of the invention by the infringer, together with interest and costs as fixed by the court." (Emphasis added.)

standing expiration of three of the five patents and invalidation of a fourth patent. The public has received nothing by virtue of expiration and invalidation of four out of five patents!

The second ground of distinction (no significant relationship between Respondent's leasing practice and its patents) is at odds with several uncontroverted facts, as follows:

First, Respondent's lease agreement contained an over-reaching patent clause which read as follows (par. 14 of Def's Exh. QQ):

> "14. ACKNOWLEDGMENT OF VALIDITY OF PATENTS. Lessee acknowledges the validity of each of Lessor's patents issued or acquired by Lessor heretofore or during the term of this agreement; and Lessee agrees to refrain from contesting the validity of each of said patents so long as such patent is in force and irrespective of whether or not this agreement then be in force."

This was modified on the eve of trial by a rider (Pl's Exh. 88, with rider attached). This clearly tied the lease to Respondent's patents.

Secondly, Respondent never withdrew its demand for injunctive relief and it persisted to the bitter end in its demand for post-expiration damages to compensate it for loss of rentals *after* expiration brought about by leases entered into between Petitioner and olive packers *before* expiration of the patent in suit. Cf. the following colloquy of the District Court and counsel for Respondent appearing at Vol. 15, pp. 18 and 19 (This occurred June 25, 1963, after the trial and only 10 weeks before the patent in suit expired):

> "THE COURT: . . . In other words, what I am driving at, Mr. Neal, if you want damages over and beyond the 3rd of September and the damages to which you are entitled only arise by reason of patent infringement and they are not contractual or lease damages to which you are entitled, and if you start tying them in too closely and too much together, it may be that you are moving into the field of misuse. I am

not saying you are, but I would certainly give it serious consideration."

* * * * * * *

"MR. NEAL: . . . Now, it seems to me to follow from that that our contention that we should be entitled to damages—I tried to point this out in the opening brief—need not be looked at in a time sense measured after September 3rd, 1963. [the date of expiration of the patent in suit] The point is that customers were taken from us. They were taken from us for three years in each instance. This was due to the defendant's three year leasing policy. Therefore, if it should develop that we were entitled . . ." (Matter in brackets added)

Finally, this view of the lower courts conflicts with the view of the Court of Appeals for the Third Circuit in *F.C. Russell Co. v. Consumers' Insulation Co.*, 226 F.2d 373, 376 (1955). In that case the question decided was whether an exclusive dealership arrangement was a patent misuse. The Court of Appeals for the Third Circuit held that it was. The Court took note of, and respectfully differed from the report of the Attorney General's National Committee to Study the Antitrust Laws, which is quoted in pertinent part in the footnote at page 226 F.2d 376 as follows:

"The Committee said in its comment on the Russell v. Comfort case, Report of the Attorney General's National Committee to Study the Antitrust Laws, March 31, 1955, at p. 251:

'a. Scope of the Misuse Doctrine.

'The outer reach of the misuse doctrine has not yet been fully defined. We believe, however, that the doctrine should extend only to those cases where a realistic analysis shows that the patent itself significantly contributes to the practice under attack. A mere theoretical analysis without consideration of actual commercial effect is misleading, for then almost any use of a patent—even an ordinary infringement suit—can be attacked on the ground that its repercussions extend to commerce outside the range of patent. *Thus in Russell v. Comfort injunctive relief for*

patent infringement was denied because the patented product was marketed through exclusive dealer agreements. While the patent was mentioned in the recitals of the agreements, there was nothing to indicate that it had any practical relationship with the exclusive agreement or bearing on the enforcement of the patent. We believe that the approach of this case confuses the conduct of the patentee in relation to the patent and his conduct with reference to other matters.' (Emphasis Russell's)."

Russell v. Comfort referred to in this footnote is an earlier Russell case involving the same practice and the same patentee, reported at 194 F.2d 592 and decided by the 7th Circuit.

In *Russell v. Consumers* the 3rd Circuit commented on the Attorney General's report as follows at 226 F.2d 376:

"We cannot agree with the Attorney General's Committee, distinguished as its membership is, when the Committee says in commenting on Russell v. Comfort, that 'there was nothing to indicate that * * * [the patent] had any practical relationship with the exclusive agreement.' There is in fact a relationship and it seems to us to be a very practical one, for it may not be assumed that the contracts and the patent came into juxtaposition inadvertently or accidentally. The parties, their dealers, distributors and, indeed, their customers, are not living in a strange, non-commercial world where exclusive agreements are found under Christmas trees.

But, aside from the foregoing, the Supreme Court has held that whether an illegal provision of a contract is or is not enforced makes no difference if the contract gives the patentee, as here, the power to effect enforcment. See, for example, United Shoe Machinery Corp. v. United States, 258 U.S. 451, 458 (1922), and similar decisions. Certainly, if the law is to be changed in this respect, it should be altered by the Supreme Court and not by this tribunal."

4. *Brulotte v. Thys* holds that:

". . : a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se*." (..... US at .....; 85 S.Ct. at 179; 13 L.Ed. 2d at 102)

In the case at bench, the Court of Appeals has added an emasculating gloss, as follows: But if the patentee has several patents which expire at different times, he may, as long as even one of his patents is unexpired, and after all others have expired, enter into long term lease agreements which extend beyond the term of his last patent.

Clearly, under *Brulotte,* a patentee may not, before his patents expire, enter into a royalty agreement which requires payment of royalties after the patents expire. But the Court of Appeals in the case at bench holds that a patentee may, with impunity, enter into long term lease agreements before his patents expire (at a time when his patents give him a legal monopoly) and that these agreements may lawfully require his lessees to continue payment of the same rentals long after all of his valid patents have expired.[6] It is not necessary to decide (and Petitioner does not ask this Court to decide) that long term leases are illegal *per se.* Petitioner does ask this Court to determine whether long term leases entered into *before* a lessor's patents have expired and which protect the position of the patentee both before and *after* his patents have expired, and which exact the same rentals *before* and *after* expiration, constitutes the defense of misuse in a suit for infringement of the last remaining valid patent.

5. An important question of statutory construction is presented which has not been passed on before by this Court. The statute in question is 35 USC 112 which reads, in pertinent part, as follows:

> "An element in a claim for a combination may be expressed as a means or step for performing the specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the

6. The Ashlock (Respondent's) uniform lease, Def's Exh. QQ, even after a rate reduction (Pl's Exh. 22) and even after pressure of litigation forced Respondent to modify a harsh patent provision of the lease (Pl's Exh. 88. See discussion supra, page 18) required the lessee to continue paying the same rental after the expiration and invalidation of all patents.

corresponding structure, material, or acts described in the specification and equivalents thereof."

This relates to the scope of the patent monopoly and the degree of strictness or liberality with which the lower courts may construe the extent of the monopoly.

In the case at bench, Claim 5 (a narrow claim which specifically recites a certain structure) was sued on upon the ground that Petitioner's structure, although not the same, was an equivalent. Claim 5 was withdrawn in the light of evidence tending to prove lack of equivalence. Respondent persisted with a broader, functional claim (Claim 11) which recited the same element but in terms of what it would do rather than in terms of its structure; Claim 11 is a functional "means" claim within the meaning of 35 USC 112.

Respondent could not admit lack of equivalence with respect to Claim 5 yet contend for equivalence with respect to the same element in Claim 11. Instead Respondent persuaded the Courts below to overlook 35 USC 112; to pass over the admission of non-equivalence implicit in the withdrawal of Claim 5;[7] and to adopt a literal interpretation of Claim 11.

This is a departure from statutory construction and should be reversed by this Court; otherwise it will stand as a precedent and an open invitation to patentees to try their luck in infringement suits with narrow structural claims, but if the going gets rough, then to abandon the narrow claims and shift to broad, functional claims which do not embarrass one with the problems of equivalents.

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7. The only reference in the opinion of either Court below to Claim 5 is Finding of Fact No. 25, appearing at 225 F.Supp. 205 (Appendix A, page 27), as follows:

"25. Claim 5 of '736 has been withdrawn. Claim 5 has no effect on Claim 11.'"

The reference to "'736" indicates the patent in suit, No. 2,406,736.

CONCLUSION

It is respectfully submitted that important issues are presented with respect to the administration of the patent laws by the lower courts. These issues are a broad, overly liberal interpretation of a functional patent claim and failure to follow the guide line of 35 USC 112; a weakening of the restriction placed by this Court on extension of the patent monopoly; and an overly liberal award of damages which denies to the public the benefits that are intended to go to the public upon the expiration of patents. These issues have in common the fact that they vitally concern the important line of demarcation between private reward to the patentee and benefit to the public.

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Appendix A

Opinion of District Court

District Court, N. D. California, S. Div.

GEO. W. ASHLOCK COMPANY

v.

ATLAS-PACIFIC ENGINEERING COMPANY, INC.

No. 40581 Decided Oct. 16, 1963

ZIRPOLI, District Judge.

This cause was one for infringement of Claims 5 and 11 of Patent 2,406,736 which was granted on September 3, 1946, to George W. Ashlock, Jr., plaintiff's predecessor in interest for "Pitting Machine." The type of pitting machine constituting the subject matter of the patent (herafter designated as '736) is one for the automatic high speed pitting of olives.

By way of defense to this action for infringement of these two claims of '736, the defendant: denied infringement: asserted that the claims were invalid for failure to meet the requisite standard of invention defined by Section 103 of the patent statutes (Title 35, United States Code); asserted that the claims were invalid because they were based on a disclosure first made (i.e., new matter, defendant alleged) to the Patent Office in the application for '736 more than one year after the first pitting machine covered by the claims had been put into commercial use; asserted that '736 was unenforceable because of misuse of the patent; and counterclaimed for treble damages and injunctive relief for alleged violations by the plaintiff of the anti-trust laws. The plaintiff denied that it has misused '736 and by way of its reply to the defendant's counterclaim denied that it had violated the anti-trust laws.

Well before the cause came on for trial the Court denied, without prejudice, defendant's motion for summary judgment which was predicated in part upon a stipulated statement of facts. The

Court's reasons for denying said motion are reported at 136 USPQ 339 where there will also be found a recitation of the aforesaid stipulated statement of facts.

During the course of the trial the plaintiff withdrew Claim 5 of '736 from issue.

Based upon the issues stated above and after a trial of the case consuming twelve and one-half days during which the witnesses testified, models and physical exhibits were demonstrated and explained and the Court was thoroughly familiarized with the equipment of the prior art, of the '736 patent, and the commercial machines of plaintiff and defendant, the Court ruled in favor of plaintiff on all of said issues and makes the following Findings of Fact and Conclusions of Law, to wit:

Findings of Fact

1. Geo. W. Ashlock Company, the plaintiff, is a corporation formed under and in accordance with the laws of the State of Delaware. Plaintiff's principal place of business is in San Leandro, California.

2. Atlas-Pacific Engineering Company, Inc., the defendant, is a corporation formed under and in accordance with the laws of the State of California. Defendant's principal place of business is in Emeryville, California.

3. The patent in suit, Ashlock 2,406,736, only Claim 11 of which was at issue for decision by this Court, was granted on September 3, 1946, to George W. Ashlock, Jr., for "Pitting Machine", upon an application for United States Letters Patent filed in the United States Patent Office on March 31, 1944. The plaintiff is the successor in interest to the business of Geo. W. Ashlock, Jr., which business comprised the leasing of fruit processing machinery to fruit packers and processors. The plaintiff is likewise the lawful owner by mesne assignment of the entire right, title and interest in and to the patent in suit, No. 2,406,736, including the right to sue for past infringement of that patent.

4. Plaintiff has been the lawful owner of the patent in suit, No. 2,406,736, at all times during the commission by the defendant of the acts herein complained of by the plaintiff as constituting infringements of said patent.

5. The patent in suit, including Claim 11 of the patent, covers an olive pitting machine. Both prior to and during the time of commission by the defendant of the acts herein complained of by the plaintiff as constituting infringments of 2,406,736, the plaintiff was engaged in the business of leasing to olive packers olive pitting machines covered by Claim 11 of 2,406,736. The olive pitting machines so leased by the plaintiff bore patent number marking plates which contained on their faces the number of the patent in suit.

6. Plaintiff's cause of action arises under the patent laws of the United States. 35 U.S.C., Sections 271, 281, et seq. This Court has jurisdiction over the subject matter of the cause of action and over the parties by virtue of 28 U.S.C., Section 1338(a), and Section 1400. By way of a first counterclaim defendant sought a declaratory judgment, by virtue of 28 U.S.C., Sections 2201 and 2202, that the patent in suit was: invalid; not infringed; and unenforceable.

7. The controversy raised by the defendant's second counterclaim and the plaintiff's reply to it arises under the anti-trust laws of the United States. 15 U.S.C., Sections 1, 2 and 14. The defendant seeks relief under 15 U.S.C., Sections 15 and 26. This Court has jurisdiction and venue with respect to the parties and to the subject matter involved in the controversy raised by the second counterclaim and the reply thereto under 28 U.S.C., Sections 1331 and 1337.

8. Claim 11, the sole claim in issue of the patent in suit, reads as follows:

> 11. In combination, a conveyor movable continuously over a path and having a plurality of receptacles each

adapted to support a fruit having a substantially central pit, a pitting head mounted for a reciprocating movement along said conveyor at a forward rate of advance substantially that of said conveyor, said head including a first portion overlying a portion of the path of said conveyor and a second portion underlying said path portion, a plunger reciprocatively supported by said first portion, a coring knife reciprocatively supported by said second portion, and means for first moving said plunger and said knife substantially simultaneously toward each other during advance of said head and for then moving said plunger and knife in the same direction transverse to said conveyor and at substantially the same rate.

9. The prior art relied upon by the defendant in support of its contention that Claim 11 is invalid for failure to define patentable invention under 35 U.S.C., Section 103, consists of the following patents:

Newcomb, 1,133,054
Whitman, 1,458,163
Kok, 2,243,530
Drake et al., 2,341,857
Frova, 2,360,411.

Of these five prior patents, the only one which was expressly cited by the Patent Office Examiner against the application for '736 was the Frova patent.

10. The olive pitting machine shown and described in the drawings and written description of '736 is termed by the plaintiff as its Type B machine. Type B machines went into commercial use in May, 1944, under leases for terms of not less than three years.

11. About two years after the introduction to the olive packing industry of his Type B machine, George W. Ashlock, Jr.

offered a refined version, known as the Type C machine, of his olive pitting machine to the industry. The Type C machines gradually replaced the Type B machines as the latter were returned to the Ashlock plant for repair and overhaul and as the leases relating to the Type B machines expired and new leases were negotiated.

12. About one to two years after the Type C machine first became available to the industry, George W. Ashlock, Jr. offered another refined version, known as the Type D machine, of his olive pitting machine to the industry. The Type D machines gradually replaced the earlier Ashlock machines as the latter were returned to Ashlock plant for repair and overhaul and as the leases relating to the earlier machines expired and new leases were negotiated.

13. The Type B, Type C and Type D Ashlock machines as well as the defendant's machines which are charged to infringe Claim 11 of '736 are all characterized by the following relationship of parts and manner of operation, as called for by Claim 11:

(a) a conveyor movable continuously over a path and having a plurality of receptacles each adapted to support a fruit having a substantially central pit,

(b) a pitting head mounted for a reciprocating movement along said conveyor at a forward rate of advance substantially that of said conveyor,

said head including a first portion overlying a portion of the path of said conveyor and a second portion underlying said path portion,

(c) a plunger reciprocatively supported by said first portion,

(d) a coring knife reciprocatively supported by said second portion, and

(e) means for first moving said plunger and said knife substantially simultaneously toward each other during advance of said head and for then moving said plunger and

knife in the same direction transverse to said conveyor and at substantially the same rate.

14. Newcomb 1,133,054 discloses a method for pitting olives wherein a plunger enters an olive from one end, a coring knife enters the olive from the other end, the knife stopping short of the pit, and thereafter the plunger moves, while the knife remains stationary, to move the pit fully within the hollow knife and out of the olive. Claim 11 distinguishes over Newcomb in the following italicized particulars:

> 11. In combination, *a conveyor movable continuously over a path and having a plurality of receptacles* each adapted to support a fruit having a substantially central pit, *a pitting head mounted for a reciprocating movement along said conveyor at a forward rate of advance substantially that of said conveyor, said head including a first portion overlying a portion of the path of said conveyor and a second portion underlying said path portion,* a plunger *reciprocatively supported by said first portion,* a coring knife *reciprocatively supported by said second portion, and means for first moving said plunger and said knife substantially simultaneously toward each other during advance of said head and for then moving said plunger and knife in the same direction transverse to said conveyor and at substantially the same rate.*

15. Kok 2,243,530 discloses an automatic and continuously operable pitting machine for the pitting of cherries. This pitting machine has a continuously movable receptacle-conveyor, a pitting head mounted for reciprocating movement along the conveyor, a plunger reciprocatively supported by the head above the conveyor, and means for moving the plunger toward and transverse of the conveyor during advance of the head. Claim 11 distinguishes over Kok in the following italicized particulars:

11. In combination, a conveyor movable continuously over a path and having a plurality of receptacles each adapted to support a fruit having a substantially central pit, a pitting head mounted for a reciprocating movement along said conveyor at a forward rate of advance substantially that of said conveyor, said head including a first portion overlying a portion of the path of said conveyor *and a second portion underlying said path portion,* a plunger reciprocatively supported by said first portion, *a coring knife reciprocatively supported by said second portion,* and means for *first* moving said plunger *and said knife substantially simultaneously* toward *each other during advance of said head and for then moving said plunger and knife in the same direction transverse to* said conveyor *and at substantially the same rate.*

The foregoing claim italicizing requires some clarification. In lieu of what is called for in the last five lines of the claim, Kok has the following:

"and means for first moving said plunger toward said conveyor during advance of said head and for then moving said plunger transverse to said conveyor."

16. Whitman 1,458,163 discloses a fruit pitter wherein the conveyor, which is of the indexing and drum type, remains stationary during the pit removal operation. Whitman's pitting head has upper and lower plunger elements which are moved together toward the fruit to be pitted. The lower plunger element moves at twice the rate of speed of the upper plunger element, and consequently once both elements have engaged the fruit pit the lower element drops away rapidly, leaving the pit to be removed from the fruit by the upper element alone rather than being carried out of the fruit while both elements engage the pit. In Whitman, the pitting head is not mounted for reciprocating movement along the

conveyor. Claim 11 distinguishes over Whitman in the following italicized particulars:

> 11. In combination, a conveyor movable *continuously* over a path and having a plurality of receptacles each adapted to support a fruit having a substantially central pit, a pitting head *mounted for a reciprocating movement along said conveyor at a forward rate of advance substantially that of said conveyor,* said head including a first portion overlying a portion of the path of said conveyor and a second portion underlying said path portion, a plunger reciprocatively supported by said first portion, a coring knife reciprocatively supported by said second portion, and means for first moving said plunger and said knife substantially simultaneously toward each other *during advance of said head* and for then moving said plunger and knife in the same direction transverse to said conveyor *and at substantially the same rate.*

17. Frova 2,360,411 discloses a fruit pitter wherein fruit to be pitted descend through feed chutes to pick-up stations. Opposed plunger elements come together on the fruit pit and thereafter the elements move together in the same direction to carry the fruit against a pocket-shaped portion of a fixed scavenging plate, the plate serving to strip the fruit from the pit as the follower plunger element forces the pit through a pit-passing aperture in the plate. Frova does not disclose that the pit is engaged by both of the plunger elements as the pit is removed from the fruit. Frova lacks the receptacle-conveyor called for by Claim 11, and because of this lack Frova does not accomplish pit removal while the fruit is stationarily positioned within a moving receptacle-conveyor. Claim 11 further distinguishes over Frova in the following italicized particulars:

> 11. In combination, a conveyor *movable continuously over a path and* having a plurality of receptacles each adapted to support a fruit having a *substantially central pit,* a pitting

head *mounted for a reciprocating movement along said conveyor at a forward rate of advance substantially that of said conveyor,* said head including a first portion overlying a portion of the path of said conveyor and a second portion underlying said path portion, a plunger reciprocatively supported by said first portion, a coring knife reciprocatively supported by said second portion, and means for first moving said plunger and said knife substantially simultaneously toward each other during advance of said head and for then moving said plunger and knife in the same direction transverse to said conveyor and at substantially the same rate.

18. Drake et al. 2,341,857 discloses an automatically and continuously operable fruit pitter wherein gripping fingers carry each fruit, or olive, along to a point where the olive is seized between oppositely disposed punch and die elements, the die carrying a coring tube, or knife, which is relatively movable with respect to it to effect a coring cut in the olive while the olive is disposed between and seized by the punch and die elements. Thereafter the die is moved to strip the olive from the pit by forcing the olive over the then stationary punch. Prior to the pitting of the olive the olive gripping fingers are released from the olive, the olive conveying function being thereafter assumed by the punch and die elements, which perform the coring and pitting functions. Drake et al. do not employ a receptacle-conveyor which functions to support and move the olives while they are being cored and pitted. The following italicizing in Claim 11 indicates the lack in Drake et al. of a receptacle-conveyor and the consequent lack of the function and relationship of such a conveyor with the other elements called for by the claim:

11. In combination, *a conveyor movable continuously over a path and having a plurality of receptacles each adapted to support a fruit having a substantially central pit,* a pitting head mounted for a *reciprocating* movement *along said con-*

veyor at a forward rate of advance substantially that of said conveyor, said head including a first portion *overlying a portion of the path of said conveyor* and a second portion *underlying said path portion,* a plunger reciprocatively supported by said first portion, a coring knife reciprocatively supported by said second portion, and means for first moving said plunger and said knife *substantially simultaneously* toward each other during advance of said head *and for then moving said plunger and knife in the same direction transverse to said conveyor and at substantially the same rate.*

19. Having carefully considered the five prior art patents relied upon by the defendant and the oral testimony given by the witnesses called by both parties concerning these patents, and having carefully considered the drawings and written description of the pitting machine of '736 and the oral testimony given by the witnesses called by both parties concerning the same, I find that the advance in the art of pitting machines contributed by the disclosure of '736 amounts to the following: the combining for the first time of aligned plunger and coring knife elements with a continuously movable conveyor and with means for mounting and actuating said elements so that they are caused to move with a dual reciprocating motion, relative to the moving conveyor, with this dual reciprocating motion being characterized by movement of the plunger and knife elements in advance with the conveyor and at the rate of travel of the conveyor and by subsequent movement of the plunger and knife elements, first, toward each other and toward the conveyor and, then, in the same direction transversely of the conveyor and at the same rate. I further find that this advance in the art is fairly and accurately delineated by Claim 11 of '736.

20. For an invention to be patentable it must be new and useful, as required by 35 U.S.C., Section 101. Having found that Claim 11 defines an advance in the art, it follows that the subject

matter of Claim 11 has the requisite newness or novelty required by the statute. The invention defined by Claim 11 is useful. Usefulness is adequately demonstrated by the fact that the Type B machine, which in the words of '736 was in 1944 the "present preferred form of machine embodying this invention", was introduced to the olive packing industry in 1944 and remained in use for a number of years.

21. While Drake et al. 2,341,857 was not cited by the Patent Office against the application for '736, there is sufficient evidence in the record before this Court to warrant the herein finding that Drake et al. was considered by the Patent Office Examiner in connection with the application for '736. The same Patent Office Examiner who considered and cited Frova 2,360,411 against the application for '736 and who thereafter allowed Claim 11 over Frova examined and granted the application of George W. Ashlock, Jr. for Patent No. 2,407,126. The latter patent, which contains claims directed to a method of pitting rather than to pitting apparatus, discloses the Type B machine disclosed in '736 and was granted on September 3, 1946, the date of grant of '736. The application for 2,407,126 furthermore stated that it was a continuation in part of the earlier filed application for '736.

During the course of solicitation of 2,407,126, the examiner rejected certain claims, which were directed to a method of pitting which inhered in the use of the Type B machine disclosed in '736, for the reason that those particular claims were not patentable over either Frova 2,360,411 or Drake et al. 2,341,857.

Under a similar factual pattern as to identity of examiner, cross-referencing and similarity of disclosures between two co-pending applications of the same applicant, and citation of a prior art reference against one application but not against the other, it has been held that the prior art reference in question should be deemed as having been considered, although not cited, with respect to the other application. See, for example, Otto v. Koppers Company, Inc., et al., CA 4, 246 F.2d 789, 114 USPQ 188, 198.

22. 35 U.S.C., Section 282, accords to Claim 11 a presumption of validity and provides that the burden of establishing the invalidity of Claim 11 rested upon the defendant. On the basis of the total weight of the evidence, including the oral testimony of the witnesses, I am unable to find that the defendant has met this burden. To the contrary, I am constrained to find that the defendant has not met this burden and that Claim 11 is in fact valid. In so finding I have in mind the following:

(a) With respect to each of the Drake et al. and Frova patents, the prior art patents which were cited and/or considered by the Patent Office Examiner in connection with the application for '736, the presumption of validity remains unrebutted and runs to and has added force with respect to each of the three criteria of novelty, usefulness and unobviousness. J. A. Mohr & Son v. Alliance Securities Co., CCA 9, 14 F.2d 799, 800.

(b) With relation to the Newcomb, Kok and Whitman patents, there is no evidence that the Patent Office Examiner considered the same.

However, each of the three patents, Newcomb, Kok and Whitman, is less pertinent with respect to the subject matter of Claim 11 than either the Frova patent, or the Drake et al. patent. Also, neither Newcomb, Kok nor Whitman is any more compatible with either Frova or Drake et al., from the standpoint of teaching or suggesting how either of the latter might be modified through the exercise of the ordinary skill of the art to meet Claim 11, than other prior art cited by the Patent Office against the application for '736.

In these respects reference is had to Finding 14 concerning Newcomb, to which Finding there is here added that Newcomb merely discloses in a semi-schematic manner the coring and pitting of an olive, no receptacle or other form of holder for the olive being disclosed and no pitting equipment being disclosed other than a coring knife per se and a plunger per se.

In these same respects reference is had to Finding 15 concerning Kok. Also, while the Kok patent was not cited against the application for '736, two prior patents which had been granted to George W. Ashlock, Jr., 2,250,518 and 2,271,675, were cited against the application for '736. Each of Ashlock 2,250,518 and Ashlock 2,271,675 refers to and incorporates by reference the disclosure in an earlier patent, 2,157,518, which was granted to George W. Ashlock, Jr. The plaintiff's witness, Hesse, testified that the cherry pitting head disclosed in the Kok patent was essentially identical with the cherry pitting head disclosed in Ashlock 2,157,518.

In these same respects reference is had to Finding 16 concerning Whitman. Also, in comparing Whitman with Frova with respect to the subject matter of Claim 11, I find that: neither Whitman nor Frova has a conveyor which is "movable continuously over a path"; neither Whitman nor Frova has a pitting head which is "mounted for a reciprocating movement along said conveyor at a forward rate of advance substantially that of said conveyor"; both Whitman and Frova have a "plunger reciprocatively supported"; Whitman has a knife which is "reciprocatively supported", but this knife is not a "coring" knife, while Frova has "a coring knife reciprocatively supported"; both Whitman and Frova have means for first moving said plunger and said knife substantially simultaneously toward each other"; and Whitman does not have, while Frova does have, means for then moving said plunger and said knife at substantially the same rate in the same direction.

As to the comparison of Whitman with Drake et al. with respect to the subject matter of Claim 11, reference is had to Finding 16 concerning Whitman and Finding 18 concerning Drake et al.

(c) In Finding 19 I have pointed out what I have found to be the advance contributed to the art of pitting machines by the disclosure of '736 and that this advance in the art is properly defined by Claim 11. I further find that Claim 11 is directed to a true combination of elements in which the elements by way of their

joint action on their common object, an olive and its pit, perform additional functions and accomplish additional effects, as distinguished from a mere aggregation of elements in which each element remains unchanged in function and effect. During the course of the cyclic dual reciprocative motion of the plunger and coring knife elements which I have found to be the advance in the art in Finding 19 made by the disclosure of '736 and Claim 11, the co-action of the knives as they move in the same direction transversely on the conveyor and at the same speed produces an additional function and effect over and above the functions and effects producible by these elements in their separated state, namely, not only is the olive pit moved outwardly of the olive while the coring knife serves as a reinforcement tube for the cored end of the olive, thereby protecting this cored and weakened end of the olive against tear or breakage, but the pit is guided outwardly of the olive while it is engaged endwise by the knives and while it is subjected to at least a degree of endwise compression by the knives, thereby preventing any skewing movement of the pit as it travels out of the olive. Such skewing movement, if permitted to occur, can result in the production of a pitted olive which is torn or broken at the end through which the pit has been removed.

The dual reciprocative motion of the plunger and coring knife elements relative to the moving conveyor in and of itself amounts to an additional function which is achievable by the co-action of the elements of Claim 11, but which is not achievable by the elements in their individual capacity, i.e., when they are considered as being outside of the context of relationship called for by Claim 11. This further additional function produces an additional effect or advantage in the sense that a pitting machine having plunger and coring knife elements movable with the dual reciprocative motion described in Finding 19 is capable of a speed of operation, and hence productive capacity as to its output of pitted olives, which is substantially greater than the speed of operation of, for example, the type of olive pitting machine shown in the Drake

et al. patent. W. H. Kagley, one of the co-inventors named in the Drake et al. patent, testified during the course of the trial. He testified that from 1940 to the present time olive pitting machines of the type shown in the Drake et al. patent had been operated by the Lindsay Ripe Olive Company at a variable rate of speed to produce from 850 to 1200 pitted olives a minute. He stated that there were 30 pairs of punches, or plungers, and coring tubes, or knives, carried by the continuously rotating drum units which serve as carriers for these punch and tube elements. Each punch and coring tube pair operates at a coring and pitting stroke speed of from about 28 strokes a minute to obtain an output of 850 olives per minute up to 40 strokes a minute to obtain the maximum output for the machine of 1200 pitted olives per minute.

By way of contrast to this range of about 28-40 pitting strokes per minute per knife pair with production machines of the type shown in the Drake et al. patent, plaintiff's Type B, Type C, and Type D machines, and defendant's machines alleged to infringe '736, all of which machines operate in accordance with the dual reciprocative motion described in Finding 19, have been commercially operated at speed ranges on the order of 140-160 strokes per knife pair per minute. The rate of pitting action of these machines of the plaintiff and the defendant is so rapid that when a knife pair (plunger-coring knife) is moved transversely of the conveyor with an olive pit between the knives of the pair, the rate of acceleration of the knife pair and interposed pit downwardly is such as to cause the lower, or coring, knife, which in each of the Type B, Type C, Type D, and in the defendant's machines is slidably mounted relative to its carrier member, to exert an upward pressure due to inertial effect against the pit. This is a further additional function and additional effect which is inherently obtainable with olive pitting machines which are operable in accordance with the dual reciprocative motion described in Finding 19 when operated at commercial production speeds.

While a pitting head system wherein the upper and lower aligned knives have the dual reciprocative motion described in Finding 19 gives such a pitting head system a high output capacity potential for the pitting of olives, it is the combination with such a pitting head system of the continuously moving conveyor which brings this high output capacity potential to fruition. The co-active cycle of movement between the upper and lower knives of such a pitting head system and the continuously movable conveyor is one that is characterized by relative movement between the upper and lower knives and the conveyor in the direction of travel of the conveyor. Such relative movement, which consists of an accelerating advance of the upper and lower knives until their forward speed matches that of the conveyor and a decelerating retreat of the upper and lower knives in a direction counter to the direction of movement of the conveyor, the latter being for the purpose of allowing the next in line of unpitted olives to arrive at the coring and pitting station during the time when the next accelerating advance of the upper and lower knives will have enabled the knives to catch up with and travel at the same speed as said next in line of unpitted olives, amounts to a further additional function which arises out of the combination of the particular pitting head system called for by Claim 11 with the continuously movable conveyor called for by Claim 11, said function not being derivable from any one of the elements, taken individually, of Claim 11. This additional function enables the obtaining of the practical and desirable additional effect of high productive capacity. In Drake et al., there is no relative movement between the olives and the sets of knives with reference to the direction of travel of the olives. In Frova, the olives are stationary while the knife pairs are being moved into engagement with them.

(d) As above indicated, W. H. Kagley, one of the co-inventors of the olive pitting machine disclosed and claimed in the Drake et al. patent and who for many years to date has been the chief engineer of the Lindsay Ripe Olive Company of Lindsay, Cali-

fornia, testified during the course of the trial. Mr. Kagley has served as an employee of Lindsay Ripe Olive Company for about 29 and ½ years and has been Lindsay's chief engineer for about 24 years. Since prior to 1940 Mr. Kagley's activities as an employee of Lindsay Ripe Olive Company have involved the development and improvement of Lindsay's olive pitting machinery. Linsay Ripe Olive Company was the first company in the United States to commercially produce pitted olives and it is reputed to be at the present time the largest commercial producer and packer of pitted olives anywhere in the world.

Mr. Kagley was called as a witness by the defendant during the course of the trial. The plaintiff objected to this for lack of notice under 35 U.S.C. 280. The Court permitted Mr. Kagley to testify over plaintiff's objection after assuring the plaintiff that it would protect the plaintiff against the element of surprise by way of any reasonable measure, such as a recessing of the trial. The plaintiff waived any such protective measure. It then developed that Mr. Kagley was examined closely and at length by counsel for both sides and by the Court.

Mr. Kagley admitted that the Drake et al. patent did not disclose that the coring tube, or knife, of the pitting machine shown in the Drake et al. patent fully cored the olive up to the pit and that consequently the patent did not disclose the separation of the olive from the pit while the latter was engaged or held between the plunger and the coring knife. Mr. Kagley thereby admitted that the Drake et al. patent did not disclose the function or effect, obtainable with the invention of Claim 11 of '736, as above set forth, of the engaging of the two ends of the pit with the plunger and the coring knife during pit removal.

Mr. Kagley also admitted that the Drake et al. patent did not state that it was the intention of the inventors that the rod, or coring tube, designated by the reference numeral 250 in Figs. 12-14 be adjustable. Adjustability of this rod, or tube, would be necessary to enable the coring element to core an olive all the way up

to the pit. The witness also testified that the threaded connection between the coring tube and the collar in Figs. 12-14 appeared to signify merely a manner of attachment and not to indicate that the coring tube was adjustable. The witness was unable to answer the question as to whether the coring tube mounting system of Figs. 28-32 of Drake et al. would be recognized by one skilled in machinery, or an engineer, as being intended for adjustment of the coring tube indicated by the reference numeral 428. With reference to this coring tube mounting system of Figs. 28-32, the Drake et al. patent makes no mention of adjustability of the coring tube but merely refers to the mounting system as being one whereby the coring tube is made subject to repair and replacement.

On the basis of Mr. Kagley's testimony, the Court finds that the Drake et al. patent not only does not disclose the full coring of an olive to bring the coring tube into engagement with the pit but also that the Drake et al. patent does not contain the suggestion to one of ordinary skill in the pitting machinery art that this be done.

Mr. Kagley testified that the machine shown in the Drake et al. patent was operated in practice at the Lindsay plant from the outset of its use in about 1940 by setting the coring tube so that it would engage the pits during the coring and pitting operation. Such testimony standing by itself, as it does, is insufficient to establish prior public use or knowledge of an olive pitter in which the pit was removed by being endwise engaged by the coring knife and pitting knife. Cold Metal Products Co. v. E. W. Bliss Co., CA 6, 285 F.2d 244, 128 USPQ 49, 62.

Even if Mr. Kagley's testimony in respect to removal of a pit while it was endwise engaged by the coring knife and pitting knife had been substantiated, the Court would not have considered that this had any controlling effect on the issue of validity of Claim 11.

Assuming, arguendo, that Mr. Kagley's testimony as to endwise engagement of the pit by the coring knife and the pitting

knife was had during pit removal met the standard of proof commonly required, the prior use or knowledge thereby established was not, as is required, public in nature prior to the making of the invention of '736. The invention of '736 was made between September 30, 1943 and November 13, 1943.

Mr. Kagley was not sure that Lindsay exhibited its machines to the public prior to February 15, 1944, the date of issuance of the Drake et al. patent. The witness stated that he did believe that the public was admitted to the plant to view the machines when Lindsay was assured that the Drake et al. patent would be granted. Assurance that a patent will be granted is only had when the Patent Office issues a Notice of Allowance. The Notice of Allowance of the Drake et al. patent application was dated December 28, 1943, a date after the invention of '736 was made.

Just prior to the date of issuance of the Drake et al. patent, Lindsay Ripe Olive Company had one machine of the type shown in the Drake et al. patent in operation. This machine was cleaned up, repaired, and maintained during evenings or on Saturdays. If the coring tube needed sharpening, that was usually done on Saturdays when the few employees in the plant would not be aware of the work in progress. Mr. Kagley and his helper were the only ones to have a hand in the dismantling of the machine to repair it. Mr. Kagley did testify that at least the plant superintendent of Lindsay Ripe Olive Company was aware of the inner details of the pitter.

On the basis of Mr. Kagley's testimony, taken with the fact that the Drake et al. patent makes no disclosure or suggestion of the coring tube contacting the pit, the Court is caused to find that coring to the pit, if such did take place at the Lindsay plant prior to 1944, was maintained as a trade secret until at least after the time of the invention of '736 was made. If such coring to the pit took place, the use and knowledge thereof was secret rather than public, and it has no effect on the question of validity of Claim

11 of '736. Gillman et al. v. Stern et al., CA 2, 114 F.2d 28, 46 USPQ 430, 433.

A significant part of Mr. Kagley's testimony consists of his statement that it was necessary to core an olive to the pit and that proper pitting and coring could not be obtained if the coring knife did not contact the pit, no matter how small the distance between the knife and pit was. The plaintiff's expert fact witness, E. J. Hesse, a vice president of the plaintiff and for many years, and still, plaintiff's chief engineer, testified along the same lines. Defendant's expert fact witness, M. L. Loveland, its vice president and chief engineer and the one primarily responsible for the design and development of defendant's olive pitting machines, testified that it was not necessary to core the olive to the pit and that proper pitting and coring could be obtained if the coring knife did not contact the pit as long as the coring knife was brought rather close to the pit before the removal operation on the pit commenced. Mr. Loveland admitted, however, that, except in the case of abnormally short pits, pitting and coring was achieved with defendant's pitting machines by way of coring the olive deep enough to engage the coring knife with the pit and thereafter moving both the plunger, pit and coring knife out of the olive while the pit was engaged by both the plunger and the coring knife.

(e) Where, as here, the elements claimed in combination amount to a true combination rather than a mere aggregation of elements, this is in itself some evidence of the presence of patentable invention because the patentee has added something to the total stock of knowledge by way of the further functions and effects which are obtainable by the elements in combination but not obtainable from them in their individual or separate status.

(f) The Court finds as a fact that novelty in the sense of newness is reflected in that portion of Claim 11 which precedes the "means" clause thereof. It was new in the art at the time the invention of Claim 11 of '736 was made to provide a pitting head

mounted for a reciprocating movement along a conveyor wherein the pitting head was provided with a first portion overlying the conveyor and having a reciprocatively supported plunger and a second portion underlying the conveyor and having a reciprocatively supported coring knife. The means clause of Claim 11 is a necessary part of the claim from the standpoint of rendering the claim complete, but this "means" clause merely serves the office of bringing into working relation the pitting head and conveyor earlier described in the claim to obtain the dual reciprocative montion described in Finding 19.

(g) The defendant's defense of invalidity of Claim 11 is of the mosaic type, being based as it is on the five abovementioned prior art patents and the testimony of Mr. Kagley. The Court finds that it would require the exercise of hindsight, based upon knowledge beforehand of the dosclosure of '736 and of the entity constituted by the combination as a whole of Claim 11, for one having ordinary skill in the art of fruit pitting and fruit pitting machinery to perceive how to arrive at the combination of Claim 11 from the various and diverse teachings and disclosures of the five prior art patents. From this it follows, and the Court so finds, that the subject matter of Claim 11, that is, the elements set forth in Claim 11, taken in combination and as a whole, was not obvious, at the time the invention of Claim 11 was made, to a person having ordinary skill in the art to which said subject matter pertains.

The Court's findings as to novelty, utility and unobviousness of the subject matter of Claim 11 would be the same even in the absence of the presumption of validity and would likewise be the same even if no one of the five prior art patents had been considered and/or cited against the application for '736 by the Patent Office.

(h) The defendant pleaded a special defense of invalidity with respect to Claim 11. It urged that Claim 11 was invalid because it

was based upon a disclosure which was made in the application more than a year after the date of first public use of a pitting machine embodying the invention of Claim 11. The application for '736 was filed on March 31, 1944; a pitting machine embodying the invention of Claim 11 was introduced into public use by being put out on lease by George W. Ashlock, Jr. in May of 1944; on September 17, 1945, Claim 11 was asserted in the application by way of amendment; and by way of the same amendment there was added to the witten description of the application the italicized part of the following passage:

> "The pitting plungers and the coring knives are removed by the pitting head over the same path. However, when the knives are lowered by plungers 71, chains 161 raise the coring knives so the two approach each other until they *practically meet, in any case they are brought together until the space between them is far less than the length of an olive pit and either one or both of the springs resiliently mounting the plunger and the coring knife is or are compressed.*"

A setting of the plunger and coring knife so that the distance between them is less than the length of an olive pit in the absence of an olive and so that one of the springs resiliently mounting the plunger and the coring knife is compressed in the presence of an olive is inherently required by the "means" clause of Claim 11 with reference to the Type B machine shown in '736. There was, however, co-pendency between original and subsequently cancelled Claim 2 of '736 and Claim 11, and the former claim contained a "means" clause which likewise inherently required such a setting between the plunger and coring knife elements and such a spring compression during the pitting operation, i.e.:

> "and means for moving the knife and the plunger in a timed relationship to withdraw the knife from the fruit while the plunger retains the pit against the knife and the pit is forced out of the fruit while retained between the knife and the plunger."

In the light of the following factors, inter alia, the Court finds that the application, as filed, for '736 contained a sufficient disclosure of the setting of the plungers, or punch knives, and coring knives and the existence and function of the knife springs as not to constitute the amendment of September 17, 1945, a disclosure of new matter: the presence of the aforesaid "means" clause in original Claim 2; the drawings of the application, as filed, showed the springs for both the plungers and the coring knives; the written description of the application, as filed, stated that the upper punch knives were carried for movement against the bias of their springs 96 and stated that the springs 143 provided resilient mountings for the lower coring knives 130; and it is clear to the Court, from which the Court takes it that it is quite clear to one of ordinary skill in the art, that Figs. 5 and 6 shows that the upper and lower knives are set to approach each other much closer than the length of an olive pit in the absence of an olive and that the upper and lower knives travel together in the same direction in the presence of an olive with the pit engaged between them to effect pit removal. In re Wolfensperger, CCPA, 302 F.2d 950, 133 USPQ 537.

(i) The Court finds that Claim 11 covers each of the plaintiff's machines known as the Type B, the Type C, and the Type D machines. In the words of the application, as filed, for '736, the Type B machine therein shown was " the present preferred form of machine embodying this invention."

In converting from the Type B to the Type C machine the principal change made was the replacement of the chain and pulley elements of Type B, whereby downward and upward movement of the upper pitting head portion caused, respectively, upward and downward movement of the lower pitting head portion, with a lift cam, rod and link elements, whereby the same relative motions of the upper and lower pitting head portion could be obtained during pitting operation, but without tying the movement of one

head portion to the other head portion. The Court finds that the change made, as just described, was both a simple and an obvious one, being taught to one of ordinary skill in the art as a substitution of mechanical equivalents by the prior art patent to Whitman. In going from Type B to Type C the latter reflected over the former no change in identity of function and no change in substantial identity of performing that function. Both of these machines were embodiments of the advance made in the art by way of the invention of '736 and Claim 11 thereof, said advance having been definitively set forth by the Court in Finding 19.

In converting from the Type C to the Type D machines, only one change was made which was of any relevance to the subject matter of Claim 11. Instead of a wheel and track mounting system, whereby the pitting head was enabled to move back and forth lengthwise of the conveyor, the Type D machine was provided with forward and rearward pairs of parallel swing arms to carry the pitting head for to and fro movement relative to the conveyor, in the manner of the mode of suspension of the platform and opposed seats of the lawn swings of some years ago. Here too the change amounted merely to the substitution of one old carriage mounting for another.

In going from Type C to Type D the latter reflected over the former no change in identity of function and no change in substantial identity of performing that function. Both of these machines were embodiments of the advance made in the art by way of the invention of '736 and Claim 11 thereof, said advance having been definitively set forth by the Court in Finding 19.

From the 1949-1950 olive pitting season, the first year for which total industry production figures for the pitting of olives were available, through the 1960-1961 olive pitting, during which twelve olive pitting seasons the Lindsay and Ashlock olive pitters were the only ones being used by the industry, the total industry production of pitted olives amounted to 112,355,015 pounds. Of

this amount, 23,718,014 pounds were accounted for by the Lindsay machines, and 88,637,001 pounds were accounted for by the Ashlock pitting machines, i.e., predominantly of the Type D model.

The Court finds that the Type D machine amounted to a substantial commercial success and that Claim 11 is to be accorded the benefit of this commercial success inasmuch as Claim 11 has been found by the Court to cover the Type B, Type C and Type D machines of the plaintiff.

23. The contribution to the pitting machinery art constituted by the subject matter of Claim 11 is a substantial one. The plaintiff is therefore entitled to a reasonably broad application of the doctrine of mechanical equivalents, such as will be in keeping with the magnitude of the step forward in the art constituted by the teachings of '736 as defined by Claim 11 thereof.

24. With the preceding finding in mind, the Court turns to the issue of infringement. At the outset it should be noted, and the Court so finds, that Claim 11 as readable interms in its entirety upon the olive pitting machines of the defendant. It is furthermore clear, and the Court so finds, that the defendant did not change the principle of its machines in comparison to the principle of the plaintiff's machines defind by Claim 11, but that on the contrary the defendant's machines were embodiments of the advance made in the art by Claim 11, said advance in the art having been defined by the Court in Finding 19 and being characterized by the dual reciprocative motion of the upper and lower pitting head portions described in said finding.

The defendant's machines are provided with separate cams for the separate control of the upper and lower pitting head portions, as was the case with the Type C and Type D machines of plaintiff and with the pitting machine of the prior art Whitman patent. However, while the cam for the lower pitting head portion of defendant's machines serves the operative function of moving the

coring knives upwardly to engage the olive pits, it does not serve any operative function while the upper and lower knives, with pit engaged between them, are conjointly moved downwardly during the actual pitting operation.

During this actual pitting operation defendant's machines are in effect single cam machines, and, in this respect, they resemble somewhat more closely in their inter-related structure and manner of operation plaintiff's Type B machine than do plaintiff's Type C and Type D machines. During this "single cam" mode of operation of defendant's machines during the actual pitting operation, the defendant utilizes the force of inertia to press the coring knife against the pit, whereas during the actual pitting operation plaintiff's Type B machine utilized the additive factors of coring knife spring pressure and the force of inertia to press the coring knife against the pit.

The substitution of such as the force of gravity or the force of inertia for the force of a spring, and here there was only a partial substitution in the sense that plaintiff's spring plus inertia force was replaced by the force of inertia alone, when, as here, the one substituted for the other accomplishes the same result in substantially the same way amounts to what has long been regarded as the substitution of one typical equivalent for another.

Plaintiff's Type C and Type D machines also utilize the additive factors of coring knife spring pressure and the force of inertia to press the coring knife against the pit during the actual pitting operation, i.e., pit removal operation.

The defendant's pitting machines each amount to a combination and arrangement of mechanism which produces the same effect and in substantially the same way as the combination and arrangement of the mechanism of Claim 11, and defendant's pitting machines are infringements of Claim 11.

The mode of operation of defendant's pitting machines is substantially the same as the mode of operation of plaintiff's machines, both the Type B, Type C and Type D types, covered by

Claim 11, said mode of operation being that of the dual reciprocative motion described by the Court in Finding 19 as characterizing the advance made in the art by '736 and Claim 11 thereof.

25. Claim 5 of '736 has been withdrawn. Claim 5 has no effect on Claim 11.

26. Defendant has pleaded the defense of misuse based upon the admitted facts that the '736 patent expires on September 3, 1963; that plaintiff leases its machines covered by said patent only for a term of three years; that many of its leases entered into before expiration of the '736 patent do not expire until after September 3, 1963.

Upon these facts and others stipulated to, this Court in its opinion dated January 22, 1963, and reported at 136 USPQ 339, denied a motion for summary judgment brought by defendant seeking dismissal of the complaint upon the ground of misuse because such facts did not, in the opinion of this Court, show that the '736 patent itself significantly contributes to the 3 year leasing practice of plaintiff. In other words, this Court viewed plaintiff's three year leasing practice to be lawful per se and to be independent of and apart from the '736 patent and from relief for infringement thereof sought by plaintiff. Such motion was denied without prejudice to defendant's right at the trial to prove that there is a significant relationship between the '736 patent and plaintiff's leasing practice.

At the trial of this case such additional proof of defendant as has been received in evidence does not in the opinion of this Court, show a significant relationship between the '736 patent and plaintiff's leasing practice sufficient to sustain defendant's position that plaintiff's leasing practice is being used to extend the monopoly of the '736 patent.

27. The defendant has failed to establish an unlawful monopoly or violation of any anti-trust laws on the part of the plaintiff.

28. The Court finds that it is neither possible nor practical to separate the parts from the whole of the overall Ashlock

olive pitting machine for the purpose of assessing damages on an apportionment basis. Aside from the elements defined in Claim 11 as constituting the subject matter thereof, an overall Ashlock olive pitting machine is further constituted by a feed hopper into which the olives to be pitted are delivered in bulk, a pick-up conveyor which serves the purpose of transferring the olives from the feed hopper to the conveyor recited in Claim 11, and vibrator means associated with the conveyor mentioned in Claim 11 to serve the purpose of causing the olives within the receptacles of the conveyor of Claim 11 to work themselves into the desired pitting position wherein their long axes are disposed essentially vertically. The Court finds that in the absence of any of these further parts of the overall Ashlock olive pitting machine any resulting version of a pitting machine would lack the usefulness of the overall machine in the hands of the Ashlock lessees and thus not be desirable to the lessees from the practical aspect of commercial production use. Mr. Margaroli's testimony was to the effect that none of the plaintiff's lessees had ever to his knowledge requested the lease of less than an entire olive pitting machine of the plaintiff or of the plaintiff's predecessors.

29. The Court finds that the defendant had one infringing machine under lease for the 1961-1962 olive pitting season and that the defendant had six infringing machines under lease during the 1962-1963 olive pitting season. and that the total rental income obtained by the defendant from the lessees of these seven machines during the two olive pitting seasons amounted to $37,988.92.

30. The Court finds that $37,988.92 is a reasonable royalty for the defendant to pay to the plaintiff for the use of said infringing machines during the 1961-1962 and 1962-1963 olive pitting seasons.

31. Patent No. 3,406,736 expired on September 3, 1963.

32. The 1963-1964 olive pitting season did not commence until September 1, 1963, which date, for all practical purposes, is after the expiration date of plaintiff's patent 2,406,736.

33. The one infringing machine of defendant which was under lease for the 1961-1962 olive pitting season is no longer in existence. The six aforesaid infringing machines of defendant which were under lease for the 1962-1963 olive pitting season are still under lease for the 1963-1964 and 1964-1965 olive pitting seasons.

34. Prior to the date of expiration of '736 the defendant was engaged in the process of constructing five additional olive pitting machines, each of which has been placed on a three year lease commencing with the 1963-1964 olive pitting season (September 1, 1963 through May 2, 1964) and, hence, for all practical purposes, these five additional machines will be placed out in use under lease after the expiration of patent '736.

35. The sum of $37,988.92 which is to be awarded plaintiff as the reasonable royalty measure of damages for the one infringing olive pitting machine of the defendant used during the 1961-1962 olive pitting season and for the six infringing olive pitting machines of the defendant used during the 1962-1963 olive pitting season is adequate compensation for the infringing manufacture, lease and use thereof, and plaintiff is not entitled to further damages for the use of the six still existing machines after the expiration date of the patent, September 3, 1963, and, hence, the plaintiff is not entitled to further damages for the lease and use of these machines for the 1963-1964 olive pitting season or any olive pitting season thereafter.

36. The plaintiff is entitled to nominal compensatory damages for the five infringing machines which were in the process of manufacture by the defendant before the expiration date of '736 for use under lease at least for the 1963-1964 olive pitting season and thereafter, said nominal compensatory damages to be in the sum of $500.00 for each of said five machines.

37. Plaintiff is entitled to interest against the defendant on the sum of $37,988.92, said interest to commence as of May

2, 1963 and to continue until said principal sum is paid, said interest to be at the rate of 7% per annum.

38. The record fails to fix a date when royalties ought to be due, and in the absence thereof the terminating date of the 1962-1963 olive pitting season, May 2, 1963 has been fixed by the Court as an established date when such royalties ought to have been paid in full.

39. The defendant has not been and is not a willful infringer of patent '736.

40. This cause was consolidated for trial with and was tried along with Cause No. 41,029 in this Court, and judgment was entered in favor of the defendant in Cause No. 41,029.

Conclusions of Law

1. Claim 11 of Ashlock patent No. 2,406,736 is valid and has been infringed by the olive pitting machines of the defendant.

2. The date of the making of the invention of patent No. 2,406,736 and of the making of the invention as defined by Claim 11 of said patent is a date between September 30, 1943 and November 13, 1943.

3. Claim 11 is entitled to the benefit of the filing date, March 31, 1944, of the application for '736.

4. There is and there has been no misuse of plaintiff's patent '736.

5. There is and there has been no unlawful monopoly or violation of any antitrust laws on the part of the plaintiff.

6. The defendant has failed to establish the proof required of it under its burden of proof to render invalid Claim 11 of '736.

7. The defendant has failed to sustain the burden of proof required of it to establish a misuse of plaintiff's patent '736.

8. The defendant has failed to sustain the burden of proof required of it to establish an unlawful monopoly or violation of any anti-trust laws on the part of the plaintiff.

9. The plaintiff is entitled to damages in the sum of $40,488.72 with interest on $37,988.92 thereof, said interest to commence as of May 2, 1963 and to continue until paid at the rate 7% per annum.

10. Each side is to bear its own costs.

11. Judgment shall be entered accordingly in favor of plaintiff.

Appendix B

Judgment of Court of Appeals

United States Court of Appeals
for the Ninth Circuit

No. 19,041

ATLAS-PACIFIC ENGINEERING COMPANY,
a corporation,
Appellant,

vs.

GEO. W. ASHLOCK COMPANY,
a corporation,
Appellee.

Appeal from the United States District Court for the Northern District of California, Southern Division.

This Cause came on to be heard on the Transcript of the Record from the United States District Court for the Northern District of California, Southern Division, and was duly submitted.

On Consideration Whereof, It is now here ordered and adjudged by this Court, that the judgment of the said District Court in this Cause be, and hereby is reversed and remanded for a new trial on the issue of damages, with costs in this court in favor of the appellant and against the appellee.

It Is Further Ordered and Adjudged by this Court that the appellant recover against the appellee for its costs herein expended and have execution therefor.

COSTS:	DOCKET FEE	$25.00
	Total costs:	$25.00

Filed and entered December 15, 1964

Appendix C

Opinion of Court of Appeals

United States Court of Appeals
for the Ninth Circuit

No. 19,041

ATLAS-PACIFIC ENGINEERING COMPANY,
a corporation,
Appellant,

vs.

GEO. W. ASHLOCK COMPANY,
a corporation,
Appellee.

[December 15, 1964]

Appeal from the United States District Court
for the Northern District of California

Before: HAMLIN and MERRILL, Circuit Judges, and
BASTIAN, Circuit Judge, sitting by designation

BASTIAN, Circuit Judge:

This is an appeal from a judgment of the District Court in an infringement suit. Plaintiff in the District Court (appellee here) alleged that Claims 5 and 11 of Patent 2,406,736, granted to plaintiff's predecessor in interest for a machine for the automatic high speed pitting of olives, had been infringed. Defendant denied infringement, claimed among other things invalidity of the claims, and urged that the patent was unenforceable because of misuse thereof. At the trial, Claim 5 was withdrawn from issue.

After a lengthy trial, the District Court entered extensive findings of fact and concluded that Claim 11 was valid, had

been infringed, and awarded damages. *Geo. W. Ashlock Co. v. Atlas-Pacific Engineering Co.*, 225 F. Supp. 205.

Our examination of the record convinces us that there is warrant in the record for all the findings and conclusions of the trial court with respect to the substantive claims of and defenses to infringement, but this is not dispositive of the case.[1]

In findings of fact 29 and 30, the trial court found that Atlas' *total* income from rental of the infringing machines was $37,988.92, and that this amount was "a reasonable royalty for the defendant to pay to the plaintiff for the use of said infringing machines." With this we cannot agree, though we do not mean to say that $37,988.92 might not be reasonable as a total sum of damages.[2]

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1. The recent Supreme Court decision in *Brulotte v. Thys*, decided November 16, 1964, does not require a different result. There the Court upheld a defense of misuse and reversed the judgment of the Supreme Court of Washington "insofar as it allows royalties to be collected which accrued after the last of the patents incorporated into the machines had expired." Slip Op. 2. The misuse in *Brulotte* was found in royalty agreements which extended beyond the expiration date of the patents involved and the Court remarked that under the circumstances "the licensor was using the licenses to project his monopoly beyond the patent period," slip op. 3, and the Court held that royalties based on post-expiration use were illegal *per se*. *Brulotte* is not applicable in the instant case for two reasons. First, the damages awarded were specifically restricted to the period during which the patent was valid, see Findings of Fact 30 through 36, 225 F. Supp. at 220-21, and presumably at the new trial no damages will be allowed for any post-expiration period. Just as in *Brulotte* where the patentee-licensor could not collect royalties from its licensees for post-expiration use, here appellant, a third-party infringer, is not liable for damages for any post-expiration use. There can be no infringement after a patent has expired. Second, the trial court specifically considered and rejected the defense of misuse, finding that the "evidence does not . . . show a significant relationship between the '736 patent and plaintiff's leasing practice sufficient to sustain defendant's position that plaintiff's leasing practice is being used to extend the monopoly of the '736 patent." Finding of Fact 26, 225 F. Supp. at 220.

2. The total award was $40,488.92, consisting of the $37,988.92 attributable to six infringing machines actually used under lease from Atlas, plus $2,500.00 for five machines still in the process of manufacture. We deal only with the former as no error appears with respect to the latter.

Under 35 U.S.C. § 284[3] the court is directed, upon finding for the plaintiff upon the merits of the infringement claim, to award damages "adequate to compensate for the infringement, but in no event less than a reasonable royalty." Our independent examination[4] of a number of cases, which are not at all uniform, reveals that there is a variety of possible elements of damages for patent infringement, such as the profits made by the infringer,[5] the actual damage to the patentee, such as loss of sales, especially if such damage exceeds the infringer's profit,[6] or a reasonable royalty, if one can be shown.[7]

The only evidence tending to show anything with respect to the amount of a royalty is Ashlock's letter to its lessees reducing the rental rate for its machines from 1½¢ per pound of pitted

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3. "Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

"When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

"The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances. July 19, 1952, c. 950, § 1, 66 Stat. 813."

4. Appellee's brief did not reply to appellant's argument on the measure of damages, and appellee's counsel did not reach the point in oral argument.

5. *Zysset v. Popeil Bros.*, 318 F.2d 701 (7th Cir. 1963); *Henry Hanger & Display Fixture Corp. v. Sel-O-Rak Corp.*, 270 F.2d 635 (5th Cir. 1959); *Mason City Tent & Awning Co. v. Clapper*, 144 F. Supp. 754 (W.D.Mo. 1956); and see *International Industries v. Warren Petroleum Corp.*, 248 F.2d 696 (3rd Cir. 1957), *cert. dismissed*, 355 U.S. 943 (1958).

6. *Birdsall v. Coolidge*, 93 U.S. 64 (1876); *Eversharp, Inc. v. Fisher Pen Co.*, 204 F.Supp. 649 (N.D.Ill. 1961); *Wilson v. Muench-Kreuzer Candle Co.*, 143 F. Supp. 648 (S.D.Cal. 1956), *rev'd on other grounds*, 246 F.2d 624 (9th Cir.), *cert. denied*, 355 U.S. 882 (1957).

7. Appellant also argues that the damages should be apportioned, inasmuch as the patent covers only about twenty-five per cent of the olive pitting machine. We agree with Finding of Fact 28 that this is neither possible nor practical.

olives to 1¼¢, and attributing the reduction to the expiration of the patent. This ¼¢ per pound reduction may have been due only to the competition to be faced by Ashlock after its patent monopoly ended, but equally it could have represented Ashlock's valuation of the worth of the patent (*i.e.*, the royalty included in the rental). The total rental income acquired by Atlas was derived from a rental charge of 1¼¢ per pound of pitted olives, an amount five times as great as the ¼¢ per pound reduction made by Ashlock. With no other evidence to show a royalty value, the award, if based solely on the criterion of reasonable royalty, seems excessive.[8]

However, as pointed out, the award need not be limited to a reasonable royalty. Ashlock may ask for whatever damages it incurred because of Atlas' infringement and although the profits made by Atlas—not its total rental but its net profit after allowable expense are deducted—are not recoverable as such, they may provide evident of an element of Ashlock's damages (i.e., the loss of profits to Ashlock). See *Livesay Window Co. v. Livesay Industries, Inc.*, 251 F.2d 469 (5th Cir. 1958), and the persuasive reasoning of four of the five majority justices in *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 502-514 (1964).

In any event, since Findings of Fact 29 and 30 must be taken at face value, with the result that the $37,988.92 award was based solely on the criterion of reasonable royalty, then, as we have said, it is excessive and clearly erroneous. Therefore, we must reverse and remand for a new trial restricted to the issue of damages. In so doing, we do not intend to lay down a broader rule of the case than that, based on the record before us and the

8. The statute, 35 U.S.C. §284, permits the court to increase the assessed damages up to three times the amount found, but there is no indication that this was done in this case. Further, since the findings reflect nothing but good faith on Atlas' part, increasing the damages would hardly seem justified.

findings of the court, the award of damages, measured as it is by the reasonable royalty concept, is excessive. Nor do we intend to lay down a rule as to what damages may be proved at the new trial. Also, we think that the issue of the measure of damages should be argued before the trial court, which will have the evidence of damages introduced at the new trial available to it. This will also restore to Ashlock its opportunity to assist the court by presenting its view of the proper measure of damages.

Reversed and remanded for a new trial on the issue of damages.

Appendix D

Petition for Rehearing on Question of Apportionment

In the United States Court of Appeals for the Ninth Circuit

No. 19,041

ATLAS-PACIFIC ENGINEERING COMPANY, a corporation,
Appellant,

vs.

GEO. W. ASHLOCK COMPANY, a corporation,
Appellee.

PETITION FOR REHEARING

Atlas-Pacific Engineering Company, Appellant herein, respectfully petitions this Court for a rehearing regarding the question of apportionment of damages. The grounds that will be relied upon (and which will be amplified in a brief if this petition is granted and if this Court so desires), are as follows:

1. The Court of Appeals in its opinion in footnote 7 at page 3 of the Slip Opinon said:

> "Appellant also argues that the damages should be apportioned, inasmuch as the patent covers only about twenty-five per cent of the olive pitting machine. We agree with Finding of Fact 28 that this is neither possible nor practical."

2. It is respectfully submitted that, for reasons which are briefly summarized below, the denial of the right to apportionment of damages is contrary to a line of Supreme Court cases which strictly limit the scope and duration of the patent monopoly, such line of cases culminating in *Brulotte v. Thys Co.*, ... U.S. .

....., 85 S.Ct. 176, decided November 16, 1964 (after this appeal was argued and submitted); and that such denial of the right to apportionment has the effect of prolonging the monopoly of expired and invalid patents.

3. Appellant's Opening Brief argued the matter of apportionment on substantially the same ground as stated below (see pages 45 and 46 of Appellant's Opening Brief). Appellee did not respond to this argument nor was the matter argued at the hearing (see footnote 4 on page 3 of the Slip Opinion). The later *Brulotte* case brings the matter of apportionment into sharp focus.

4. In *Brulotte,* an attack was made on a license agreement under which royalties were required for the use of patented machines after expiration of the applicable patents. The Supreme Court held:

> "... : that a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se.*" (..... U.S. ....., 85 S.Ct. 179)

The reasons for this holding are amplified in the Court's opinion where, at ..... U.S. ....., 85 S.Ct. 178, the Court quoted from *Scott Paper Co. v. Marcalus Manufacturing Co.,* 326 U.S. 249, 256, 66 S.Ct. 101, 104 as follows:

> "... any attempted reservation or continuation in the patentee or those claiming under him, of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the policy and the purpose of the patent laws."

Also at ..... U.S. ....., 85 S.Ct. 179, 180:

> "The exaction of royalties for use of a machine after a patent has expired is an assertion of monopoly power in the post-expiration period when, as we have seen, the patent has entered the public domain. We share the view of the Court of Appeals in Ar-Tik Systems, Inc. v. Dairy Queen, Inc., 3 Cir., 302 F.2d. 496, 510, that after expiration of the

> last of the patents incorporated in the machines 'the grant of patent monopoly was spent' and that an attempt to project it into another term by continuation of the licensing agreement is unenforceable."

5. In the present case, all but two of the applicable patents had expired long prior to accrual of the cause of action; one of these two applicable patents was held invalid in this same litigation; and only one valid, unexpired patent remained.

The undisputed factual situation is as follows: As set forth in the patent in suit, No. 2,406,736, Pl's Exh. 2, column 2, lines 32 to 43, the straightening mechanism (a component of the patented Ashlock machine) was that of Ashlock patent 2,250,518, which expired in 1958; the conveyor construction was that of Ashlock patent 2,271,675, which expired in 1959; and the pitting plunger mechanism was that of Ashlock patent 2,219,832, which expired in 1957. Each of these patents expired before Atlas had built an olive pitting machine. Each of these expired patents covered an important functional part of the leased Ashlock machine. Additionally, there was one other patent applicable to the Ashlock machine, to wit Patent No. 2,589,324 (Pl's Exh. 4) on some of the cups which hold the olives while they are being pitted. That patent was sued on with patent No. 2,406,736 but was held invalid.

6. As stated by the Supreme Court in *Scott Paper Co. v. Marcalus,* 326 U.S. 249, 255, 66 S.Ct. 101, 104:

> "The aim of the patent laws is not only that members of the public shall be free to manufacture the product or employ the process disclosed by the expired patent, but also that *the consuming public at large shall receive the benefits of the unrestricted exploitation, by others, of its disclosures.*" (Emphasis added)

7. The plaintiff Ashlock has acknowledged, by its rate reduction letter to lessees reducing the rental rate in the amount of ¼

cent per pound, and by attributing that rate reduction to the expiration of patent 2,406,736, that when a patent expires *something must pass to the public.* Note this Court's reference to the Ashlock rate reduction letter at page 3 of the Slip Opinion.

8. We have in this case a situation where five patents are applicable to a machine, three of them have expired, one was held invalid in the subject litigation and only one has been held valid and infringed. Yet if apportionment is denied, "the consuming public at large will not receive the benefits of the unrestricted exploitation by others" [e.g., by Atlas] of the disclosures of the four expired or invalid patents (*Scott v. Marcalus,* supra), because the infringer (Atlas) will have been required to pay *the same damages for infringement of a single patent as if all five patents were in force and had been held valid and infringed.*

Respectfully submitted,

EDWARD B. GREGG
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By EDWARD B. GREGG
Attorneys for Appellant

Appendix E

Order on Petition of Amicus Curiae

In the United States Court of Appeals for the Ninth Circuit

No. 19,041

ATLAS-PACIFIC ENGINEERING COMPANY, a corporation,
Appellant,

vs.

GEO. W. ASHLOCK COMPANY, a corporation,
Appellee.

Filed. Mar. 10, 1965

Frank H. Schmid, Clerk

ORDER ON PETITIONS FOR REHEARING

On consideration of the petition of amicus curiae to revise the opinion of December 15, 1964, the court being of the view that the language of certain portions of the opinion may be amended so as to avoid possible misinterpretation of the holding of the court, it is

Ordered that the parenthetical phrase "(on equitable principles)" appearing in line 4 on page 3 of the printed opinion be, and it is hereby deleted, and it is

Further Ordered that the first full paragraph appearing on page 4 of the printed opinion be, and it is hereby deleted, and the following paragraph be, and it is hereby substituted therefor:

"However, as pointed out, the award need not be limited to a reasonable royalty. Ashlock may ask for whatever dam-

ages it incurred because of Atlas' infringement and, although the profits made by Atlas—not its total rental but its net profit after allowable expenses are deducted—are not recoverable as such, they may provide evidence of an element of Ashlock's damages (*i.e.*, the loss of profits to Ashlock). See *Livesay Window Co. v. Livesay Industries, Inc.*, 251 F.2d 469 (5th Cir. 1958), and the persuasive reasoning of four of the five majority justices in *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 502-514 (1964)."

It Is Further Ordered that appellant's petition for rehearing is denied.

/s/ WALTER M. BASTIAN
/s/ O. D. HAMLIN
/s/ CHARLES MERRILL
U. S. Circuit Judges

Appendix F

Order Denying Petition for Rehearing on Question of Apportionment

United States Court of Appeals for the Ninth Circuit

Excerpt from Proceedings of Wednesday, March 10, 1965

Before: Hamlin and Merrill, Circuit Judges, and Bastian, Circuit Judge, sitting by designation

ORDER DENYING PETITION FOR REHEARING

On consideration thereof, and by direction of the Court, It Is Ordered that the petition of appellant filed January 12, 1965, and within time allowed therefor by rule of court, for a rehearing of above cause be, and hereby is denied.